

Select Sector Portfolio



Strategy Foundation

The business cycle is largely driven by changes in economic growth over the course of many months or years. A typical business cycle has four distinct phases: early, mid, late and recession. During each phase of the business cycle there are certain sectors or industries that have historically underperformed or outperformed the broader equity market. For example, during the early phase stocks in the financial or information technology industries tend to outperform the broader market, while energy and utility stocks have historically underperformed. During a recession, however, stocks in health care and utilities tend to be the outperformers while information technology and consumer discretionary stocks may underperform.

Historical Sector Performance Patterns of the Business Cycle

SECTOR	EARLY	MID	LATE	RECESSION
Financials	+			
Consumer Discretionary	+		-	-
Information Technology	+	+	-	-
Industrials	+	+		-
Materials	+	-	+	
Consumer Staples			+	+
Health Care			+	+
Energy	-		+	
Telecom	-			+
Utilities	-	-	+	+

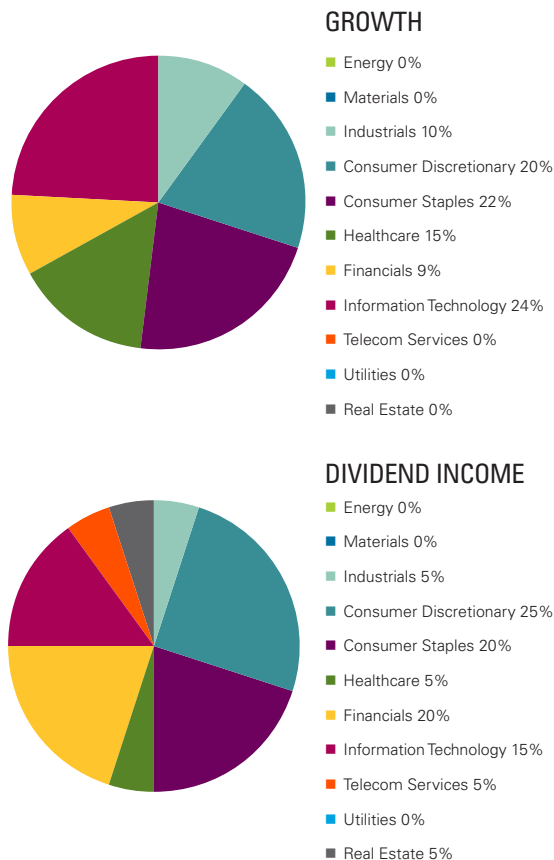
Strategy Detail

The objective of this investment strategy is to gain performance through top-down stock selection that is based on business cycle analytics. Investments are selected based on their sector's potential to perform during the current economic phase and the direction in which the economic cycle may be moving. Portfolios remain invested throughout all market phases and are modified according to individual stock and/or fund performance, sector performance and the global market outlook. Due to the level of focus on these primary factors, asset allocation targets and portfolio rebalancing are not commonly used.

Select Sector Portfolios (SSPs) use individual stocks and Exchange Traded Funds (ETFs) and are designed for investors with long-term goals of asset appreciation and income production. For these purposes, long-term is defined as more than 3 years. There are two investment objectives offered: Growth and Dividend Income. The growth portfolio seeks capital appreciation by investing in stocks and/or equity ETFs that demonstrate growth potential in current market conditions. The Dividend Income portfolio can use individual stocks and/or ETFs that offer current cash flow through dividend payments.

Select Sector Portfolios

* Portfolio allocation as of 1/20/2017. Not all sectors listed will be represented at all times and changes will be made at Portfolio Manager's discretion. Portfolios are non-diversified and may be concentrated in certain sectors or industries dependent upon market conditions.



Portfolio QUICK FACTS

Objective

- Long-term capital appreciation
- Current income

Investment Philosophy

- Uses the selection of stocks and equity ETFs among different sectors to capitalize on current market conditions
- A buy-and-hold strategy that remains invested throughout changing market cycles

Investor Profile

- Time horizon at least 3 years or more
- Goal of capital appreciation and higher yield
- Comfortable with the volatility generally associated with investing in individual securities

Management

- Business cycle, sector and fundamental research conducted through a variety of 3rd party sources, including Value Line, Fidelity and Morningstar, among others
- Weekly analysis of market conditions and portfolio holdings to evaluate performance and determine potential changes